

STATEMENT OF CHAIRMAN NICKLES
SENATE BUDGET COMMITTEE
JANUARY 29, 2003

- I would like to welcome my colleagues and our distinguished witnesses to the first Senate Budget Committee hearing for the 108th Congress.
- Our focus today will be the economy and proposals to increase and remove the barriers to economic growth. These are important topics not only to the business of this committee as we work to create a fiscal plan for the federal government, but more importantly to the health and welfare of individuals and families across the nation.
- First, however, I would like to take a moment to recognize and thank the two former chairmen of this committee who will continue to serve with us this year.
- Senator Domenici joined the Senate Budget Committee in 1975, only one year after the committee was created. He served the Senate as Chairman of this committee for 12½ years, and ranking member 9 years, participated in the adoption of 26 concurrent budget resolutions and 17 major budget reconciliation bills, and worked with eight OMB Directors and all five CBO Directors. I am grateful Pete will continue to serve on the committee this year to provide experience, advice and guidance to us all.
- Senator Conrad too is a long-time and distinguished member of this committee who served as Chairman during a very difficult time that included an economic slowdown, the 9/11 terrorist attacks, and the war on terrorism. I hope he will help me as we continue to deal with these issues and the other significant fiscal challenges that await us.
- I am also pleased to welcome the new committee members on my side of the aisle, including:
 - Senator Conrad Burns of Montana,

- Senator Mike Enzi of Wyoming,
 - Senator Jeff Sessions of Alabama.
 - Senator Jim Bunning of Kentucky,
 - Senator Mike Crapo of Idaho,
 - Senator John Ensign of Nevada, and
 - Senator John Cornyn of Texas.
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- I appreciate your willingness to take on this new challenge, and I hope to make your service on this committee an interesting, enjoyable, and learning experience.
 - The Budget Committee should be a place where Senators, both new and experienced, can come to learn about and debate the priorities of our government.
 - The challenges we face this year are significant, and there is no better place to start our deliberations than on the issue of the economy and economic growth. As our economy faltered over the last two years, federal revenues fell dramatically. For the first time in history revenues declined for two consecutive years, from \$2.025 trillion in 2000, to \$1.991 trillion in 2001 (-1.7 percent), to \$1.853 trillion in 2002 (-6.9 percent).
 - During this same time, spending grew significantly due to the response to the 9/11 terrorist attacks, the war in Afghanistan, an increased focus on homeland security, and counter-cyclical programs like unemployment compensation. Total spending grew by 7.9 percent in 2002, or 11 percent if you exclude falling interest costs. Defense spending grew at 13.9 percent, domestic discretionary spending at 12.2 percent, and entitlements at 8.9 percent.
 - These two factors contributed to the government going from a budget surplus of \$127 billion in fiscal year 2001 to last year's budget deficit of \$159 billion, the first unified budget deficit since 1997. That's a far cry from the \$313 billion surplus CBO projected for fiscal year 2002 in their January 2001 report.

- However, despite the repeated claims of some of our colleagues, only \$75 billion of the \$472 billion change in CBO's projection is due to tax cuts, and even less (\$31 billion) is due to the tax cuts enacted in 2001.
- It is vital that we get our economy moving again to have any hope of returning to budget surpluses in the near future, and absolutely critical that we generate sustained economic growth to meet the needs of the future.
- I believe President Bush has suggested a good plan that will help families, create jobs, and sustain long-term economic growth. If you pay income taxes, or are married, or have children, you will benefit very substantially from the President's plan. The President has also suggested eliminating the double-taxation of corporate dividends, and I commend him for it. It's good tax policy that corrects current law's encouragement of debt over equity.
- We also need to look at other policies that can remove barriers to economic growth. We shouldn't just focus on taxes and spending, but also look at policies that are suffocating the economy. For example, asbestos litigation is spiraling out of control. More than 200,000 suits are pending in federal and state courts, and studies estimate that number will rise to 1 million.
- Already asbestos litigation and settlement expenses have cost \$54 billion, forced at least 60 companies into bankruptcy and resulted in the loss of 60,000 jobs. Further, people who are truly sick are getting caught in this broken system, which currently is awarding 65 percent or more of damages to individuals who do not suffer any asbestos-related illness.
- I look forward to working with all my colleagues on the committee to pass a responsible, enforceable and effective budget that will help grow the economy, create jobs and be fiscally responsible.